

says that regulatory tools like forbearance must be utilized "in a manner consistent with the public interest, convenience, and necessity."<sup>8</sup> Given that Congress already decided that regulatory forbearance from Sections 251(c) and 271 is not in the public interest, the conclusion is inevitable that Section 706 does not allow the Commission to do that which Section 10 expressly forbids.<sup>9</sup>

**C. The Commission's Authority to Modify LATA Boundaries Does Not Override Section 271**

Bell Atlantic argues that "relief from current LATA boundaries for broadband services and packet-switched data traffic is authorized by Section 3(25)(B)."<sup>10</sup> Bell Atlantic and Ameritech, relying on the limited power under Section 3(25)(B) to "modify" LATA boundaries, both assert that the Commission can eliminate them entirely for its proposed network.

These carriers should not be heard demanding that the Commission read a statutory power to "modify" so broadly. Bell Atlantic was a petitioner and

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<sup>8</sup> Id.

<sup>9</sup> Bell Atlantic argues that "forbearance" could have a broader reach in Section 706, but its rationale is unconvincing. Bell Atlantic notes that Section 10(d) states that "[e]xcept as provided in section 251(f), the Commission may not forbear from applying the requirements of section 251(c) or 271 under subsection (a) of this section until it determines that those requirements have been fully implemented." Bell Atlantic thus claims that Section 10(d) means that the Commission is free to forebear from Section 251(c) or 271 as long as it is relying on a statutory provision outside of Section 10. Bell Atlantic Petition at 10. This explanation, however, is illogical and unsupported by traditional rules of statutory interpretation. See, e.g., n.4, supra.

<sup>10</sup> Bell Atlantic Petition at 11.

Ameritech an intervenor in Southwestern Bell Corporation v. F.C.C.,<sup>11</sup> which rejected the FCC's attempt to defend its detariffing order. The Commission had argued that its Section 203 power to "modify" tariffs allowed them to forebear from requiring tariffs. The Court, agreeing with Bell Atlantic and other petitioners, strongly disagreed, stating that the power to "modify" is a "very limited authority" that connotes "change by increment."<sup>12</sup> Having won the argument in that case, Bell Atlantic in particular cannot be permitted to take the other side today.

Petitioners' essential request that the Commission completely eliminate LATA boundaries for purposes of its proposed network is, therefore, a far cry from the limited LATA boundary modifications that the Court, and now the Commission,<sup>13</sup> may grant when a specific, required showing is made.<sup>14</sup> Nor do

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<sup>11</sup> 43 F.3d 1515 (D.C. Cir. 1995).

<sup>12</sup> Id. at 1526 (citing MCI v. AT&T, 512 U.S. 218, 225, 114 S. Ct. 2223, 2229 (1994)).

<sup>13</sup> Pursuant to Section 601(a)(1), Congress transferred any conduct or activity that was subject to the AT&T Consent Decree so that it is now "subject to the restrictions and obligations imposed by the Communications Act of 1934." 1996 Act, sec. 601(a)(1).

<sup>14</sup> Although Bell Atlantic and U S West rely on past LATA boundary waivers for certain services, particularly for wireless services, many — if not all — such waivers were granted only upon the Court's consideration of the "likelihood that a [BOC] could use its monopoly power to impede competition in the market it seeks to enter. United States v. Western Electric Co., 604 F. Supp. 256, 258 (D.D.C. 1984) (footnote omitted). Moreover, conditions generally were imposed when required to decrease the risk that such anticompetitive behavior would ensue. See, e.g., United States v. Western Electric Co., Civ. Action No. 82-0192, 1987 U.S. Dist. LEXIS 14504; 1987-1 Trade Cas. (CCH) P67,452 (D.D.C. January 28, 1987) (requiring NYNEX/Bell Atlantic New York Partnership to lease nonaffiliated interexchange facilities for transportation of interexchange communications);

(continued...)

any of the Petitions make any of the required showings under the Commission's established LATA boundary modification application procedures.<sup>15</sup>

The Petitions also suggest that LATAs are obsolete, or at least inconvenient, and therefore the Commission should eliminate them now.<sup>16</sup> That argument is incorrect for at least two reasons. First, LATAs are not obsolete at all, because they are Congress' chosen means to ensure that RBOCs do not prematurely enter the long distance market without satisfying the terms of the bargain struck with the RBOCs in Section 271. As a check on monopoly power, LATAs are no more obsolete today than they were in 1984, because the RBOCs have lost virtually no market share in the ensuing fourteen years.<sup>17</sup>

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<sup>14</sup>(...continued)

United States v. Western Electric Co., Civ. Action No. 82-0192, Order (D.D.C. April 28, 1995) (conditioning the provision of cellular interexchange telecommunications service on the absence of legal or regulatory barriers to the provision of access services by non-BOCs from the MTSOs to the IXCs' points of presence and the presence of at least one non-BOC provides alternative service); United States v. Western Electric Co., Civ. Action No. 82-0192, Order (D.D.C. February 18, 1993) (conditioning the provision of multiLATA cellular services in RSAs upon the leasing of interexchange links from nonaffiliated IXCs).

<sup>15</sup> See Petitions for Limited Modification of LATA Boundaries to Provide Expanded Local Calling Service (ELCS) at Various Locations, Memorandum Opinion and Order, 12 FCC Rcd 11769, 11777-78 (¶ 15) (1997).

<sup>16</sup> Bell Atlantic Petition at 3; U S West Petition at 41-42, 43-44; Ameritech Petition at 13-14.

<sup>17</sup> See Petition for Declaratory Ruling Regarding US West Petitions to Consolidate LATAs in Minnesota and Arizona, at ¶ 23 ("[n]othing has changed since the passage of the 1996 Act to justify the 'piecemeal dismantling' of the LATAs").

Second, courts have found that even sound Commission policy rationales do not overcome a lack of statutory authority.<sup>18</sup> The FCC can only do what Congress allows it to do. Congress has determined that LATA boundaries — as a limit on what an RBOC can do — will remain until an RBOC (1) complies with the Section 271 checklist, (2) begins to offer in-region interLATA service, and (3) is eventually no longer required to comply with the requirement under Section 272 that interLATA services be provided through a separate affiliate.

### **III. HIGH-SPEED DATA TRANSMISSION FACILITIES MUST BE REGULATED CONSISTENT WITH ANY OTHER RBOC SERVICES**

One of the more troubling aspects of the Petitions is that they assume that policies intended to encourage advanced services development are synonymous with deregulation of RBOCs. Nothing in Section 706 compels — or even suggests — this conclusion. The carriers' desire for what amounts to instant and total deregulation of a potentially important part of its network is perhaps understandable — no monopolist likes rules — but the Commission must be firm in its insistence that RBOCs and ILECs live up to their statutory obligations.

The purpose of regulating dominant carriers has been to ensure that the facilities they provide to themselves and others are made available on a nondiscriminatory basis. In this regard, Petitioners, including their proposed new

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<sup>18</sup> See, e.g., Iowa Utils. Bd. v. FCC, 120 F.3d 753 (8th Cir. 1997) (setting aside national pricing standards for local competition); Bell Atlantic Tel. Cos. v. FCC, 24 F.3d 1441 (D.C. Cir. 1994) (setting aside requirement that RBOCs provide physical collocation to competitors).

network and associated services, must still be made subject to Sections 251 and 252 pricing interconnection, access, and performance parity requirements, and Section 272 separate subsidiary requirements once Section 271 authority has been granted.

Policies to encourage deployment of "high-speed, switched, broadband telecommunications capability that enables users to originate and receive high-quality voice, data, graphics and video communications"<sup>19</sup> must be considered in light of existing statutory regulatory policies, like those embodied in Section 251 of the Act. Under Section 251, Bell Atlantic, U S West, and Ameritech are required to provide customer connections to the data network on an unbundled basis, consistent with § 251(c)(3). Like Section 271, the Commission expressly may not forbear from applying Section 251(c).<sup>20</sup>

Significantly, Section 251(c)(2)(C) imposes the obligation upon incumbent local exchange carriers to provide "performance parity." Each ILEC will be required to provide access to its backbone network in a manner equal to that provided to itself or its affiliates. In the absence of regulatory oversight, including monthly reporting requirements, competitive carriers that are provided access to the backbone will not be able to determine whether such access is provided on a nondiscriminatory basis. If performance parity is denied, then Petitioners and others will be free to inhibit competition in the provision of advanced services,

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<sup>19</sup> 47 U.S.C. § 157 note (§ 706(c)(1)).

<sup>20</sup> See Part II.A. supra.

thereby creating a regional monopolies for these services. This is not the type of market environment conducive to the development of new services and technologies. Thus, the specific regulatory requirements which Section 10 expressly prohibits from forbearance serve to foster competition.

Finally, continued regulation of the network used to provide Internet and similar services is consistent with Bell Atlantic's proposed treatment of a consolidated MCI/WorldCom backbone. Bell Atlantic states that "[t]he Commission has the right idea not to regulate the Internet, but regulation will be inevitable once WorldCom attains market dominance."<sup>21</sup> Bell Atlantic has, therefore, demanded the regulation of a backbone operated by a non-dominant carrier, while simultaneously pleading for deregulated treatment for its comparable facilities, which have as their base a monopoly bottleneck connection from Maine to Virginia.

#### **IV. SECTION 272 REQUIRES THAT IN-REGION INTERLATA SERVICES BE PROVIDED THROUGH A SEPARATE AFFILIATE**

Section 272(a)(2)(C) requires that an RBOC's high-speed broadband network, to the extent that it permissibly provides in-region, interLATA services, must be operated by a separate affiliate. This provision explicitly requires a separate affiliate for the provision of interLATA information services and was

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<sup>21</sup> Bell Atlantic Petition to Deny the Application of WorldCom or, in the alternative, to Impose Conditions, CC Docket No. 97-211 (filed January 5, 1998) at 13; see also Ameritech Petition at 9-10 (describing the "new merged entity" as having "little incentive to expand backbone capacity or to make such capacity available at reasonable rates").

intended by Congress "to protect against improper cost allocation and discrimination concerns."<sup>22</sup> Thus, once Section 271 approval has been granted such that an RBOC is permitted to provide in-region interLATA service, it may then do so only through a separate affiliate for three years after the approval (for interLATA telecommunications services)<sup>23</sup> or until February 8, 2000 unless extended by the Commission (for interLATA information services).<sup>24</sup>

The Commission previously has found that "[i]f a BOC's provision of an Internet or Internet access service (or for that matter, any information service) incorporates a bundled, in-region, interLATA transmission component provided by the RBOC over its own facilities or through resale, that service may only be provided through a section 272 affiliate, after the BOC has received in-region

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<sup>22</sup> Implementation of the Non-Accounting Safeguards of Section 271 and 272 of the Communications Act, of 1934, as amended, First Report and Order and Further Notice of Proposed Rulemaking, 11 FCC Rcd 21905, 21947 (§ 87) (1996) ("Non-Accounting Safeguards Report and Order"), on recon., 12 FCC Rcd 2297 (1997), recon. pending, petition for summary review in part denied and motion for voluntary remand granted sub nom. Bell Atlantic v. FCC, No. 97-1067 (D.C. Cir. filed March 31, 1997), petition for review pending sub nom. SBC Communications v. FCC, No. 97-1118 (D.C. Cir. filed March 6, 1997) (held in abeyance pursuant to court order filed May 7, 1997), on remand, 12 FCC Rcd 8653 (1997), order on remand aff'd sub nom. Bell Atlantic Telephone Cos. v. FCC, No. 97-1423 (D.C. Cir. December 23, 1997). The separate affiliate requirements also are intended to mitigate BOC incentives "to discriminate in providing exchange access services and facilities that its affiliate's rivals need to compete in the interLATA telecommunications services and information services markets." Id. at 21912 (§ 11) (emphasis added).

<sup>23</sup> 47 U.S.C. § 272(f)(1).

<sup>24</sup> 47 U.S.C. § 272(f)(2). Indeed, the Commission has required that a separate affiliate is also required for the provision of out-of-region interLATA information services. Non-Accounting Safeguards Report and Order, 11 FCC Rcd at 21946 (§ 85).

interLATA authority under section 271."<sup>25</sup> These regulatory protections must be maintained for the development of competitive services by any number of carriers so that the deployment of facilities is not solely at the option of the RBOCs. However, Petitioners' proposal would result in the provision of basic services over a broadband network without compliance with the Section 272 mandate that these services be provided through a separate affiliate.<sup>26</sup>

#### **V. REQUESTS FOR EXPEDITED TREATMENT ARE UNWARRANTED**

Bell Atlantic and U S West have not offered any justification for expedited consideration of their respective requests to construct a deregulated interLATA network.<sup>27</sup> Certainly Section 706 provides no such support. Section 706 first requires that the Commission investigate the "availability of advanced telecommunications services to all Americans," with particular emphasis on elementary and secondary schools. Congress certainly did not sense a need for great haste in this investigation; the Commission is under no obligation to initiate such an investigation until August 8, 1998, thirty months after the enactment of the 1996 Act. The Commission has an additional five months within which to complete the notice of inquiry; however, Commission representatives have

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<sup>25</sup> Id. at 21967 (¶ 127).

<sup>26</sup> See, e.g., Ameritech Petition at 20-22 (proposing "modified" separation requirements).

<sup>27</sup> In contrast, Ameritech interprets Section 706 as requiring "timely action" (at 34).



indicated that plans are underway to do so soon.<sup>28</sup> Such an inquiry will allow the Commission — rather than Bell Atlantic, U S West, or Ameritech — to define the scope and direction of the Section 706 inquiry and give all parties a fair opportunity to contribute to the dialogue.

Only after such inquiry is completed and the Commission has concluded that advanced telecommunications capability is not being deployed to all Americans in a reasonable and timely fashion, is the Commission required to take action to accelerate deployment.<sup>29</sup> Finally, even if the Commission finds that it must take such action, the avenues that are open to the Commission upon such a finding encompass far more reasonable options than premature regulatory forbearance, or reading any of Sections 251, 252, 271, and 272 out of the Communications Act.

## **VI. CONCLUSION**

The Commission should reject the efforts by Bell Atlantic, U S West, and Ameritech to circumvent the requirements of Sections 251, 252, 271, and 272 of the Act. Adherence to these statutory obligations is essential for the transition from a monopoly environment to a competitive one.

The deployment of facilities-based competitive alternatives to ILEC networks is fundamental to a thriving competitive market. The best method of achieving this

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<sup>28</sup> See Telecommunications Reports Daily, February 25, 1998 (reporting statement by Commissioner Gloria Tristani that the FCC will soon begin rulemaking procedures on implementing Section 706).

<sup>29</sup> 47 U.S.C. § 157 note (§ 706(b)).

result is to foster an environment in which numerous competitors invest in backbone facilities, thereby leading to innovations and ingenuity that are hallmarks of a thriving competitive market. Grant of the Petitions, however, would stifle competition by permitting a dominant carrier to provide facilities free of necessary and pro-competitive regulations. For these reasons, the Commission must deny the Petitions.

Respectfully submitted,

TELEPORT COMMUNICATIONS GROUP INC.



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J. Manning Lee  
Vice President, Regulatory Affairs  
Teresa Marrero  
Senior Regulatory Counsel - Federal  
Two Teleport Drive  
Staten Island, N.Y. 10311  
(718) 355-2939

Its Attorneys

Dated: April 6, 1998

CERTIFICATE OF SERVICE

I, Michael Roberts, do hereby certify that a copy of the foregoing Comments of Teleport Communications Group was sent by hand-delivery and first-class mail as indicated this 6th day of April, 1998, to the following:

Magalie Roman Salas  
Secretary  
Federal Communications  
Commission  
1919 M Street, NW, Room 222  
Washington, DC 20554

Janice M. Myles  
Common Carrier Bureau  
Federal Communications  
Commission  
1919 M Street, N.W., Room 544  
Washington, D.C. 20554

ITS  
1231 20th Street, NW  
Room 102  
Washington, DC 20036

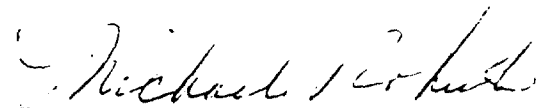
John Thorne/Robert Griffen\*  
Bell Atlantic  
13200 N. Court House Road  
8th Floor  
Arlington, Virginia 22201

Richard Taranto\*  
Farr & Taranto  
2445 M Street, N.W., Suite 225  
Washington, D.C. 20037

Robert B. McKenna\*  
Jeffry A. Brueggeman  
U S West, Inc.  
1020 19th Street, N.W.  
Washington, D.C. 20036

William T. Lake/John H. Harwood\*  
II/Jonathan J. Frankel  
Wilmer, Cutler & Pickering  
2445 M Street, N.W.  
Washington, D.C. 20037

John T. Lenahan/Christopher\*  
Heimann/Frank Michael Panek/Gary  
Phillips  
Attorneys for Ameritech  
2000 West Ameritech Center Drive  
Room 4H84  
Hoffman Estates, Illinois 60196-1025

  
Michael Roberts

\* First-class mail